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UNCLAS HALIFAX 000093

SIPDIS

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SUBJECT: ATLANTIC CANADA: SUDDEN FERRY SERVICE CANCELLATION

REF: HALIFAX 059

1. The abrupt cancellation of one of the two seasonal ferry services between Maine to Nova Scotia will likely cut the number of American visitors to Atlantic Canada this summer. After announcing its 2005 sailing schedule and working for months with tour operators on packages and bookings Scotia Prince Cruises e-mailed employees and posted an announcement on its web site April 5 to say its season was cancelled. The company claims that the city of Portland, ME, failed to provide safe terminal facilities for passengers, crew and U.S. border officials, forcing the cancellation. The company cites "toxic mold" as the problem and has reportedly sued the city for US\$20 million. The terminal was closed last season and temporary structures erected because of problems with mold in the ageing terminal buildings.

2. For its part, Portland has terminated Scotia Prince's docking lease, citing unpaid back rent of more than US\$200,000. The city manager said that Portland had invested US\$1.2 million in renovations to the terminal and that a Scotia Prince representative had visited the terminal and given no indication of displeasure with what had been done. Relations between the city and the ferry company have been rocky for some time, mainly because of Scotia Prince's allegations that Portland was failing to live up to its side of a deal to provide a new terminal. Scotia Prince has also alleged that its main competitor, Bay Ferries, received defacto subsidies from the Canadian government which helped its competitiveness.

3. The Scotia Prince cancellation caught tourism operators in New England and the Maritimes by surprise. As many as 185,000 people disembarked from the ferry each season in Yarmouth, NS. Of those a significant percentage traveled on to other parts of Nova Scotia or to Prince Edward Island. For Nova Scotia's struggling southwest (reftel) losing the Scotia Prince service is another hit to the regional economy. Bay Ferries has been asked to look at picking up the Scotia Prince's runs, but the earliest it could do so would be 2006.

4. COMMENT: Responsibility for the problems will probably take some time and a court case or two to sort out. Scotia Prince has left the door open to resume service at a later date, although given the company's supposedly precarious financial situation this may be the end of the road for the ferry. There is no question that Bay Ferries' high-speed catamaran service from Yarmouth the Bar Harbor, ME, was a formidable competitor for the older, slower, U.S.-based Scotia Prince, regardless of whether or not the subsidy allegations were correct. Tourism operators in New England and the Maritimes, already uncertain of what 2005 would hold because of high fuel prices, are extremely concerned by the ferry's demise. END COMMENT. HILL